

DISAPPROVAL OF MOST-FAVORED-NATION TREATMENT  
FOR THE PEOPLE'S REPUBLIC OF CHINA

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JUNE 20, 1997.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

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Mr. ARCHER, from the Committee on Ways and Means,  
submitted the following

ADVERSE REPORT

together with

DISSENTING VIEWS

[To accompany H.J. Res. 79]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the joint resolution (H.J. Res. 79) disapproving the extension of non-discriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China, having considered the same, report unfavorably thereon and recommend that the joint resolution do not pass.

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.J. Res. 79 would disapprove the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China.

B. BACKGROUND

Prior to 1951, the United States extended nondiscriminatory, or unconditional most-favored-nation (MFN) treatment, to all of its trading partners, in accordance with obligations undertaken when the United States joined the General Agreement on Tariffs and Trade (GATT) in 1948. However, the Trade Agreements Extension

Act of 1951, directed the President to withdraw or suspend the MFN status of the Soviet Union and all countries under the domination of international communism. As implemented, this directive was applied to all then-existing communist countries except Yugoslavia. Poland's MFN status was restored by Presidential directive in 1960.

Title IV of the Trade Act of 1974, which includes the so-called "Jackson-Vanik amendment," represented a liberalization of the 1951 law. Title IV authorizes the extension of MFN treatment to nonmarket economies which meet freedom of emigration requirements and conclude a commercial agreement with the United States. Title IV authorizes the President to waive the freedom-of-emigration requirements of that title, and to grant MFN status to a nonmarket economy country, if he determines that doing so will substantially promote the freedom-of-emigration objectives of that title.

MFN status was first granted to the People's Republic of China on February 1, 1980, and has been renewed annually since then on the basis of Presidential waivers. (A bilateral commercial agreement, as required by the Jackson-Vanik amendment, has remained in force during that time.) On May 29, 1997, the President formally transmitted to the Congress his recommendation to waive, once again, the 1974 Trade Act's freedom-of-emigration requirements and to thereby extend China's MFN status for an additional year, during the period of July 3, 1997, through July 2, 1998.

The President's waiver authority under Title IV expires at midnight on July 2 of each year. It may be extended on an annual basis upon a Presidential determination and report to Congress that such extension will substantially promote the freedom-of-emigration objectives of the 1974 Trade Act. The waiver authority continues in effect unless disapproved by the Congress—either generally or with respect to a specific country—within 60 calendar days after the expiration of the existing authority. Under Title IV amendments adopted as part of the Customs and Trade Act of 1990, disapproval takes the form of a joint resolution disapproving the extension of Presidential authority to waive the 1974 Trade Act's freedom-of-emigration requirements. Under the 1990 amendments, Congress can consider any veto message before the later of the end of the 60-day period or within 15 legislative days. The disapproval resolution is privileged for a Member. This generally guarantees a vote in the House if it is introduced.

If both chambers of Congress do not pass a resolution of disapproval within the 60 calendar days following the July 3, 1997 expiration of the existing waiver authority, China's MFN status is automatically renewed through July 2, 1998. House Joint Resolution 79 was introduced by Representative Solomon (R., NY) on June 3, 1997. The resolution provides for disapproval of extension of the waiver authority recommended by the President on May 29, 1997 with respect to China for the period beginning July 3, 1997.

## C. LEGISLATIVE HISTORY

*Committee action*

House Joint Resolution 79 was introduced on June 3, 1997, by Representative Solomon (R., NY), and was referred to the Committee on Ways and Means. On June 18, 1997, the Committee ordered House Joint Resolution 79 reported adversely without amendment to the House by a recorded vote of 34 ayes, 5 noes.

*Legislative hearing*

The Subcommittee on Trade held a hearing June 17, 1997 on the question of renewing China's most-favored-nation trade status. At this hearing, Members of Congress, as well as representatives of the Administration and the business and religious communities expressed their views regarding U.S.-China trade relations.

## II. EXPLANATION OF THE RESOLUTION

*Present law*

Title IV of the Trade Act of 1974, as amended by the Customs and Trade Act of 1990 (Public Law 101-382), sets forth three requirements relating to freedom of emigration which must be met, or waived by the President, in order for a nonmarket economy country to be granted MFN treatment. Title IV also requires that a bilateral commercial agreement that provides for nondiscriminatory, MFN status remain in force between the United States and the nonmarket economy country receiving MFN status. Title IV also sets forth minimum provisions that must be included in such an agreement.

An annual Presidential recommendation under section 402(d) for a 12-month extension of authority to waive the Jackson-Vanik freedom-of-emigration requirements—either generally, or for specific countries—may be disapproved through passage by Congress of a joint resolution of disapproval within 60 calendar days after the expiration of the previous waiver authority. Congress may override a Presidential veto within the later of the end of the 60 calendar day period for initial passage or 15 legislative days.

*Explanation of the resolution*

House Joint Resolution 79 states that the Congress does not approve the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974, recommended by the President to the Congress on May 29, 1997, with respect to the People's Republic of China.

*Reasons for committee action*

The Committee reports Congressman Solomon's disapproval resolution adversely, primarily because the Members, in general, support the Administration's policy of engagement with China. The Committee is convinced that non-discriminatory trade treatment is the cornerstone of a policy of engagement and increased trade, which enables the U.S. to influence the growth of democratic and market-oriented policies in China, in a manner which will improve respect for fundamental human rights and lead eventually to politi-



## IV. BUDGET EFFECTS

## A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of the rule XIII of the Rules of the House of Representatives the following statement is made concerning the effects on the budget of this resolution, House Joint Resolution 79 as reported: The Committee agrees with the estimate prepared by CBO which is included below.

## B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with subdivision (c) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of H.J. Res. 79 do not involve any new budget authority, or any decrease in revenues or tax expenditures. Enactment of H.J. Res. 79 would increase customs duty receipts due to higher tariffs imposed on goods from China.

## C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with subdivision (c) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, June 18, 1997.*

Hon. BILL ARCHER,  
*Chairman, Committee on Ways and Means,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.J. Res. 79, a joint resolution disapproving the President's recommendation to extend most-favored-nation (MFN) status to the People's Republic of China, as adversely reported on June 18, 1997, by the Committee on Ways and Means. CBO estimates that disapproving the extension of MFN status to the People's Republic of China would increase receipts by \$106 million in fiscal year 1997 and by \$320 million in fiscal year 1998.

Under the Trade Act of 1974, MFN status may not be conferred on a country with a non-market economy if that country maintains restrictive emigration policies. Under present law, however, the President may waive this prohibition on an annual basis if he certifies that granting MFN status would promote freedom of emigration in that country. The People's Republic has received MFN status through presidential proclamation on an annual basis beginning in 1980. On May 29, 1997, President Clinton transmitted to Congress his intention to waive the emigration prohibition and extend MFN status to the People's Republic of China for an additional year, beginning July 3, 1997. H.J. Res. 97 would disapprove the President's recommendation to extend MFN treatment.

If the People's Republic were denied MFN status, tariff rates on its exports to the U.S. would rise substantially. The higher tariffs on these goods would increase the prices faced by U.S. consumers

for the goods imported from the People's Republic, reducing demand. Therefore, imports of goods from the People's Republic would be lower than they would be if MFN status were to be extended. CBO estimates that the increased tariff rates caused by the loss of MFN status would cause an overall increase in customs duty receipts measured relative to revenues generated under continued MFN status. Because imports from the People's Republic would decline substantially, customs duties collected on Chinese imports to the U.S. would fall, but it is likely that some of the decline in U.S. imports from the People's Republic would be made up by an increase in imports from other MFN countries. CBO estimates that the increase in revenues from this effect would outweigh the reduction in revenues from the reduced level of imports from the People's Republic. The budget effects of the bill are shown in the following table.

REVENUE EFFECTS OF H.J. RES. 79

[By fiscal year, in billions of dollars]

	1997	1998	1999	2000	2001
Projected revenues under current law <sup>1</sup> .....	1,554,894	1,609,184	1,675,264	1,750,097	1,827,964
Proposed changes .....	0.106	0.320	0.000	0.000	0.000
Projected revenues under H.J. Res. 79 .....	1,555,000	1,609,504	1,675,264	1,750,097	1,827,964

<sup>1</sup> Projection consistent with the FY 1998 Budget Resolution.

The proposed legislation contains no intergovernmental mandates as defined in Public Law 104-4 and would not have a significant impact on the budgets of state, local, or tribal governments. The increased tariff rates on products from the People's Republic caused by the loss of MFN would impose a private-sector mandate on importers of Chinese products into the United States. The private-sector mandate would exceed \$100 million in both fiscal years 1997 and 1998. Taxes would increase by \$0.1 billion in 1997 and by \$0.3 billion in 1998. In addition to these increased tariffs, firms would incur additional costs when they substitute goods from other MFN countries or domestic producers.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. CBO estimates that H.J. Res. 79 would affect receipts. Therefore, pay-as-you-go procedures would apply. The pay-as-you-go impact is summarized below.

PAY-AS-YOU-GO CONSIDERATIONS

[By fiscal year, in millions of dollars]

	1997	1998
Changes in outlays .....	( <sup>1</sup> )	( <sup>1</sup> )
Changes in receipts .....	106	320

<sup>1</sup> Not applicable.

If you wish further details, please feel free to contact me or your staff may wish to contact Stephanie Weiner.

Sincerely,

JAMES L. BLUM  
(For June E. O'Neill, Director).

## V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

### A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to subdivision (A) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee, based on public hearing testimony and information from the Administration, believes that revoking China's MFN status as of July 3, 1997 would be unwise and counter-productive.

### B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

With respect to subdivision (D) of clause 21(1)(3) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Reform and Oversight with respect to the subject matter contained in the resolution.

### C. CONSTITUTIONAL AUTHORITY STATEMENT

With respect to clause 2(1)(4) of rule XI of the Rules of the House of Representatives relating to Constitutional Authority, the Committee states that the Committee's action in reporting the bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and to provide for \* \* \* the general Welfare of the United States \* \* \*").

## VI. DISSENTING VIEWS OF THE HONORABLE JIM BUNNING'S ON H.J. RES. 79

The Committee's action in reporting unfavorably H.J. Res. 79 sends a signal, once again, that the U.S. is unwilling to stand up to its commitments. By extending Most Favored Nation trading status to China we have neglected our responsibility to the American people.

For nearly two decades we have listened to the supporters of MFN for China telling us how continuing Most Favored Nation trading status and improving commerce with Beijing is changing China for the better.

They keep telling us to put profit ahead of principle. Unfortunately, the only ones profiting from this practice are the government leaders in China. In the last decade we have seen our trade surplus with China disappear and now we are faced with a \$44 billion trade deficit. At the same time, the treatment of the Chinese people by their government continues to be oppressive.

This is a country that still practices the deplorable use of sterilization and forced abortions to control its population. China still imprisons its political dissidents, religious leaders and those who fight to bring civil order to China. These continued violations of the simplest human and civil rights must end. Unfortunately, by continuing MFN for China, we are supporting their form of tyranny.

China continues to arm other nations with modern missiles and provide nuclear material and technology freely throughout the world. The Chinese have sold nuclear technology to Pakistan, even in the face of a number of U.S. agreements. Their military spending is growing at a rate of 15% a year and they will soon have intercontinental ballistic missile capabilities, which could threaten our shores.

The Chinese are not only expanding their own military capabilities, but they are enhancing those of the countries that stand in opposition to our way of life. They have sold submarines and ground-to-ship missiles to Iran, which could have a disastrous effect on the shipping industry in the Middle East. China continues to proliferate weaponry to known terrorist states such as Libya, Iraq and the Sudan. However, we are willing to close our eyes to all of this, in the name of profits and trade.

By continuing to grant preferential trade treatment to China we are only proving that our national principles, our national credibility and our national integrity are for sale. It proves that we stand firmly for human decency unless it gets in the way of business. It proves that we stand firmly for fair trade unless it gets in the way of business. It proves that we stand firmly for adherence of international non-proliferation agreements unless it gets in the way of a quick buck.

The Committee's vote on the disapproval resolution was an opportunity to reaffirm our belief in principles, human decency and fairness for all mankind. Unfortunately, this Committee chose not to take advantage of that opportunity. Hopefully, the full House of Representatives will take the higher road.

JIM BUNNING.

VII. DISSENTING VIEW OFFERED BY REPRESENTATIVE BEN  
CARDIN TO COMMITTEE REPORT ON H.J. RES. 79

Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism. All public dissent against the party and government was effectively silenced by intimidation, exile, the imposition of prison terms, administrative detention, or house arrest. No dissidents were known to be active at year's end. Even those released from prison were kept under tight surveillance and often prevented from taking employment or otherwise resuming a normal life. Nonapproved religious groups, including Protestant and Catholic groups, also experienced intensified repression as the Government enforced 1994 regulations that require all such groups to be registered with government religious affairs bureaus and come under the supervision of official "patriotic" religious organizations. Discrimination against women, minorities, and the disabled, violence against women, and the abuse of children remain problems. Serious human rights abuses persist in minority areas, including Tibet, Xinjiang, and Inner Mongolia. Controls on religion and on other fundamental freedoms in these areas have also intensified.—U.S. Department of State, China Country Report on Human Rights Practices for 1996.

For the reasons stated above and others, I believe we must lead international efforts for change in the human rights policies of the People's Republic of China. The United States has led the world in past fights for freedom, democracy, and fundamental human rights. Trade sanctions succeeded in bringing change to the Soviet Union, South Africa, and other nations. If America leads, others will follow. We must now show leadership again and take a serious stand demanding change in China. Change will begin with a vote to end Most Favored Nation trade status for China.

BEN CARDIN.

## VIII. DISSENTING VIEWS OF CONGRESSMAN JOHN LEWIS

The United States should not grant China Most Favored Nation status. Conditions in China and Tibet have not improved. In fact, they are worse. According to the 1996 State Department, "Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism. All [emphasis added] public dissent against the party and government was effectively silenced by intimidation, exile, the imposition of prison terms, administrative detention, or house arrest."

There are those who say if we do not renew MFN, we will lose our influence with the Chinese to help move the country towards a free and democratic society. And so each year MFN is renewed. And each year conditions in China and Tibet do not improve.

I do not proposed cutting off relations with China. But I simply cannot accept the situation as it is in China today.

We cannot stand by while innocent people in China and Tibet are fighting—and dying—for democracy. They want to practice their own religion. They want to speak their mind. They want to live in a free and democratic country.

Christians are persecuted in China. Tibetans are not allowed to preserve and teach their culture and history. Hong Kong's democratic institutions are gravely threatened. China is sending nuclear technology to Iran, a terrorist nation.

We cannot simply ignore these flagrant human and civil rights abuses. Renewing MFN sends the wrong message. To quote Mahatma Gandhi, "Noncooperation with evil is as much a duty as is cooperation with good."

We cannot accept what is happening in China. We cannot forget Tiananmen Square. These students bravely stood for democracy, and they were slaughtered. Those students are much like the students of the 1960s civil rights movement here in the United States. I participated in that movement and fought for a nation free of racism and segregation.

Some in the civil rights movement were jailed and beaten during that struggle. Some even died. But our struggle was not in vain.

Americans saw the abuse of civil liberty and the denial of civil rights, and they did not stand by. Brave people—black and white, young and old, from the American South and across the country—stood with us and helped us win that struggle.

Now it is the 1990's and China is on the other side of the world from us. But their struggle is just as important. Their lives and their struggle must not be in vain.

In a real sense, our foreign policy, our trade policy must be a reflection of our own ideals, our own values. Even though our own government has made serious mistakes, we must still stand up for democracy and freedom both here and abroad.

Renewing MFN for China allows China to continue its terrible abuses without any repercussions from our great nation. That is not right. I believe in free and fair trade, but it must not be trade at any price. The price of renewing MFN for China is too high.

JOHN LEWIS.

